EXHIBIT E-6

The following is a summary of the significant components of Sonus' deferred tax assets and liabilities, in thousands:

	December 31, 2003	December 31, 2002
		As Restated
Net operating loss carryforwards	$ 71,763	$ 65,205
Tax credit carryforwards	9,687	8,187
Intangible assets	788	3
Deferred revenue	21,006	13,121
Accrued expenses	313	1,613
Inventory reserves	5,512	7,566
Other temporary differences	(4,325)	353
Valuation allowance	(104,744)	(96,048)
	$ —	$ —

As of December 31, 2003, Sonus has net operating loss carryforwards for federal income tax purposes of approximately $190,000,000 that expire through 2023. Approximately $51,000,000 of the net operating loss is attributable to stock option deductions; upon utilization of this portion of the deferred tax asset the benefit will be accounted for as an increase to capital in excess of par value. Sonus also has available research and development credit carryforwards of approximately $9,700,000 that expire through 2023. The Internal Revenue Code (IRC) contains provisions that limit the net operating loss and tax credit carryforwards available to be used in any given year in the event of certain circumstances, including significant changes in ownership interests. Sonus has completed several financings since inception and may have incurred ownership changes as defined in the IRC. Sonus does not believe that these changes have had a material impact on its ability to use its net operating loss and tax credit carryforwards.

Income tax (benefit) expense differed from the amounts computed by applying the U.S. statutory income tax rate to pre-tax income as a result of the following:

	2003	2002	2001
Statutory income tax (benefit) expense	(35.0)%	(35.0)%	(35.0)%
State income taxes, net of federal benefit	(4.5)	(4.5)	(4.5)
Foreign income taxes	1.1	—	—
Stock-based compensation	6.5	10.5	4.2
Research and development credits	(9.8)	(2.3)	(0.3)
Goodwill amortization	—	—	24.9
Valuation allowance	44.0	34.3	6.4
Other, net	(0.3)	(2.9)	4.3
Effective income tax rate	2.0%	0.1%	—%

The current provision for income taxes consists of the following, in thousands:

	2003	2002	2001
Federal	$ —	$ —	$ —
State	130	86	—
Foreign	172	—	—
Total	$ 302	$ 86	$ —

(10) Long–term Liabilities

Long–term liabilities consist of capital leases, equipment borrowings from a bank (Note 11) and restructuring expenses. Sonus assumed certain capital leases as part of the acquisition of TTI. The capital leases are due in monthly installments expiring at various dates through March 2005 and accrue interest at annual rates ranging from 4.8% to 10.3%. The future minimum annual payments under capital leases and amounts due for long–term liabilities are as follows, in thousands:

	December 31, 2003	December 31, 2002 As Restated
Capital Leases:		
2003	$ —	$ 548
2004	189	193
2005	30	31
Total minimum lease payments	219	772
Less amount representing interest	(7)	(43)
Present value of minimum payments	212	729
Equipment borrowings from bank	—	2,842
Long–term portion of restructuring expenses	799	1,328
Total long–term liabilities	1,011	4,899
Less current portion	(182)	(1,606)
Total long–term liabilities	$ 829	$ 3,293

The future principal payments on long–term liabilities, excluding the capital leases, as of December 31, 2003 are as follows: $187,000 in 2005; $195,000 in 2006; $204,000 in 2007; and $213,000 in 2008.

(11) Bank Agreement

In January 2002, Sonus established a $10,000,000 equipment line of credit and a $20,000,000 working capital line of credit with a bank, at the bank's prime rate. In March 2003, Sonus extended these existing lines of credit at the bank's prime rate (4.0% at December 31, 2003). The lines of credit expired in March 2004 and were not renewed. Amounts borrowed under the equipment line were repayable over a 36–month period. For both lines of credit, Sonus had to comply with certain restrictive covenants including maintaining certain minimum investment balances with the bank, a minimum tangible stockholders' equity of $131,000,000 as of December 31, 2003 and a quick ratio of 1.5 to 1.0, as defined in the credit agreement. Pursuant to the terms of the agreement, the minimum tangible stockholders' equity covenant increased by fifty percent (50%) of the amount of the additional equity financing received by Sonus in its 2003 public offerings. Under the agreement, all of Sonus' assets, except intellectual property, had been pledged as collateral. As of December 31, 2003, Sonus had no amounts outstanding under the equipment line of credit (Note 10). Interest expense related to the line of credit was $104,000 for 2003 and $134,000 for 2002.

(12) Convertible Subordinated Note

In May 2001, Sonus completed a private placement of an aggregate principal amount of $10,000,000 of 4.75% convertible subordinated notes, due May 1, 2006, with a customer. Interest payments are due semi–annually on May 1 and November 1 of each year through May 2006. The notes may be converted by the holder into shares of Sonus' common stock at any time before their maturity or prior to their redemption or repurchase by Sonus. The conversion rate is 33.314 shares per each $1,000 principal amount of notes, subject to adjustment in certain circumstances. After May 1, 2004, Sonus has the option to redeem all or a portion of the notes at 100% of the principal amount. Also, at any time if the market price of Sonus' common stock exceeds $60.04 per share for twenty trading days in any thirty trading–day period, Sonus may redeem these notes through the issuance of shares of common stock or for cash. In the event of a change of control in Sonus, the holder at its option may require Sonus to redeem the notes through the issuance of common stock or cash. Interest expense related to our convertible subordinated notes was $475,000 for 2003 and 2002 and $317,000 for 2001.

(13) Commitments and Contingencies

(a) Leases

Sonus leases its facilities under operating leases, which expire through December 2008. Sonus is responsible for certain real estate taxes, utilities and maintenance costs under these leases. In October 2003, Sonus entered into a sublease agreement (Sublease) for a new corporate headquarters facility with rent commencing in April 2004 and extending through January 2007. Rent expense was $2,638,000, $3,267,000 and $4,146,000 for 2003, 2002 and 2001. The future minimum payments under operating lease arrangements as of December 31, 2003, including the new Sublease, are as follows: $1,693,000 in 2004; $1,068,000 in 2005; $876,000 in 2006; $261,000 in 2007; and $213,000 in 2008.

(b) Pending Litigation and Claims

In November 2001, a purchaser of Sonus' common stock filed a complaint in the federal district court for the Southern District of New York against Sonus, two of its officers and the lead underwriters alleging violations of the federal securities laws in connection with Sonus' initial public offering (IPO) and seeking unspecified monetary damages. The purchaser seeks to represent a class of persons who purchased Sonus' common stock between the IPO on May 24, 2000 and December 6, 2000. An amended complaint was filed in April 2002. The amended complaint alleges that Sonus' registration statement contained false or misleading information or omitted to state material facts concerning the alleged receipt of undisclosed compensation by the underwriters and the existence of undisclosed arrangements between underwriters and certain purchasers to make additional purchases in the after market. The claims against Sonus are asserted under Section 10(b) of the Securities Exchange Act of 1934 and Section 11 of the Securities Act of 1933 and against the individual defendants under Sections 11 and 15 of the Securities Act. Other plaintiffs have filed substantially similar class action cases against approximately 300 other publicly traded companies and their IPO underwriters which, along with the actions against Sonus, have been transferred to a single federal judge for purposes of coordinated case management. On July 15, 2002, Sonus, together with the other issuers named as defendants in these coordinated proceedings, filed a collective motion to dismiss the consolidated amended complaints on various legal grounds common to all or most of the issuer defendants. The plaintiffs voluntarily dismissed the claims against the individual defendants, including those Sonus officers named in the complaint. On February 19, 2003, the court granted a portion of the motion to dismiss by dismissing the Section 10(b) claims against certain defendants including Sonus, but denied the remainder of the

motion as to the defendants. Accordingly, the case proceeded against Sonus on the Section 11 claims. In June 2003, a special committee of Sonus' Board of Directors authorized Sonus to enter into a proposed settlement with the plaintiffs on terms substantially consistent with the terms of a Memorandum of Understanding negotiated among representatives of the plaintiffs, the issuer defendants and the insurers for the issuer defendants. The settlement contemplated by the Memorandum of Understanding is subject to a number of conditions including approval by the court. It remains uncertain whether and when the conditions will be met and the settlement will become final. Sonus does not expect that the settlement contemplated by the Memorandum of Understanding would have a material impact on Sonus' business or financial results.

Beginning in July 2002, several purchasers of Sonus' common stock filed complaints in federal district court for the District of Massachusetts against Sonus, certain officers and directors and a former officer under Sections 10(b) and 20(a) and Rule 10b–5 of the Securities Exchange Act of 1934 (Class Action Complaints). The purchasers seek to represent a class of persons who purchased common stock of Sonus between December 11, 2000 and January 16, 2002, and seek unspecified monetary damages. The Class Action Complaints were essentially identical and alleged that Sonus made false and misleading statements about its products and business. On March 3, 2003, the plaintiffs filed a Consolidated Amended Complaint. On April 22, 2003, Sonus filed a motion to dismiss the Consolidated Amended Complaint on various grounds. On May 11, 2004, the court held oral argument on the motion, at the conclusion of which the court denied Sonus' motion to dismiss. The case is proceeding to class certification and discovery. Sonus believes the claims in the Consolidated Amended Complaint are without merit and that it has substantial legal and factual defenses, which it intends to pursue vigorously. There is no assurance Sonus will prevail in defending these actions.

Beginning in February 2004, a number of purported shareholder class action complaints were filed in the United States District Court for the District of Massachusetts against Sonus and certain of its current officers and directors. The complaints assert claims under the federal securities laws, specifically Sections 10(b) and 20(a) of the Securities Exchange Act of 1934, relating to Sonus' announcement that it had identified issues, practices and actions of certain employees relating to both the timing of revenue recognized from certain customer transactions and other financial statement accounts, which could affect its 2003 financial statement accounts and possibly financial statements for prior periods. Specifically, these actions allege that Sonus issued a series of false or misleading statements to the market during the class period that failed to disclose that (i) Sonus had materially overstated its revenue by improperly recognizing revenue on certain customer contracts; (ii) Sonus lacked adequate internal controls and was therefore unable to ascertain its true financial condition; and (iii) as a result of the foregoing, Sonus' financial statements issued during the class period were materially false and misleading. Plaintiffs contend that such statements caused Sonus' stock price to be artificially inflated. The complaints seek unspecified damages on behalf of a purported class of purchasers of Sonus' common stock during the period from April 9, 2003, June 3, 2003 or June 5, 2003 through February 11, 2004. On June 28, 2004, the court consolidated the claims. Sonus believes that it has substantial legal and factual defenses to the claims, which it intends to pursue vigorously. There is no assurance Sonus will prevail in defending these actions.

In February 2004, two purported shareholder derivative lawsuits were filed in the United States District Court for the District of Massachusetts against Sonus and certain of its officers and directors, naming Sonus as a nominal defendant. Also in February 2004, two purported shareholder derivative lawsuits were filed in the business litigation session of the superior court of Suffolk County of Massachusetts against Sonus and certain of Sonus' directors and officers, also naming Sonus as a nominal defendant. The suits claim that certain of Sonus' officers and directors breached their fiduciary

duties to Sonus' stockholders and to the company. The complaints are derivative in nature and do not seek relief from Sonus. However, Sonus has entered into indemnification agreements in the ordinary course of business with certain of the defendant officers and directors and may be obligated throughout the pendency of these actions to advance payment of legal fees and costs incurred by the defendants pursuant to Sonus' obligations under the indemnification agreements and/or applicable Delaware law. Sonus filed a motion to dismiss the state court cases and a motion to stay the federal action pending the outcome of the motion to dismiss in state court. On June 11, 2004, the state court held oral argument on the motion and took the matter under advisement. Discovery has been stayed pending the outcome of the motion to dismiss. Sonus believes that it has substantial legal and factual defenses to the claims, which it intends to pursue vigorously. There is no assurance Sonus will prevail in defending these actions.

In June 2004, Sonus received a formal order of private investigation from the SEC. Sonus is cooperating with the investigation. There can be no assurance as to the outcome of the SEC investigation. Sonus may incur substantial costs in connection with the investigation including fines and significant legal expenses.

Sonus has been contacted by third parties, who claim that Sonus' products infringe on certain intellectual property of the third party. Sonus evaluates these claims and accrues for royalties when the amounts are probable and reasonably estimable. While Sonus believes that the amounts accrued for estimated royalties are adequate, the amounts required to ultimately settle royalty obligations may be different.

(14) Stockholders' Equity

(a) Public Offerings

In September 2003, Sonus completed a public offering of 17,000,000 shares of its common stock at $7.75 per share, resulting in net proceeds of $126,088,000 after deducting offering costs of $5,662,000.

In April 2003, Sonus completed a public offering of 20,000,000 shares of its common stock at $3.05 per share, resulting in net proceeds of $56,730,000 after deducting offering costs of $4,270,000.

(b) 1997 Stock Incentive Plan

On January 1 of each year, the aggregate number of shares of common stock available for issuance under the 1997 Stock Incentive Plan (Plan) shall increase by the lesser of (i) 5% of the outstanding shares on December 31 of the preceding year or (ii) an amount determined by the Board of Directors. As of December 31, 2003, 110,611,642 shares were authorized and 35,051,143 shares were available under the Plan for future issuance.

Sonus issued shares of restricted common stock to employees and consultants which are subject to repurchase agreements and generally vest over a four or five–year period. If the employee leaves or if the services are not performed, Sonus may repurchase any restricted shares of common stock held by these individuals at their original purchase price ranging from $0.01 to $4.67 per share. All shares of common stock subject to repurchase restrictions contain the same rights and privileges as unrestricted shares of common stock and are presented as outstanding as of the date of issuance. As of December 31, 2003, 1,058,045 shares of the outstanding common stock issued under the Plan were restricted and subject to Sonus' right to repurchase.

On October 16, 2002, Sonus commenced its Exchange Offer for outstanding employee stock options granted under the Plan having an exercise price of $0.67 or more per share for new stock

options to be granted by Sonus. Outstanding options granted under the TTI Amended and Restated 1998 Equity Incentive Plan were not eligible for exchange. Also, Sonus' directors, executive officers and non–employees were not eligible to participate in the exchange. On November 22, 2002, the Exchange Offer expired. Outstanding options to purchase approximately 8,973,000 shares of common stock were accepted for exchange and cancelled. On May 27, 2003, employees received an option to purchase one share of common stock for each share of common stock under the exchanged options. The new options were granted at an exercise price of $4.08 per share, which represented the fair market value of Sonus' common stock on the date of grant.

A summary of activity under the Plan for the years ended December 31, 2001, 2002 and 2003, is as follows:

Restricted Common Stock Issuances

	Number of Shares	Purchase Price	Weighted Average Purchase Price
Outstanding, December 31, 2000	43,020,654	$ 0.01–4.67	$ 0.21
Repurchased	(241,250)	0.07–0.16	0.08
Outstanding, December 31, 2001	42,779,404	0.01–4.67	0.20
Repurchased	(1,063,999)	0.01–4.00	0.17
Outstanding, December 31, 2002	41,715,405	0.01–4.67	0.20
Repurchased	(30,100)	0.16–0.22	0.20
Outstanding, December 31, 2003	41,685,305	$ 0.01–4.67	$ 0.19
Unrestricted common stock, December 31, 2003	40,627,260	$ 0.01–4.67	$ 0.19
Unrestricted common stock, December 31, 2002	34,834,854	$ 0.01–4.67	$ 0.35
Unrestricted common stock, December 31, 2001	26,504,307	$ 0.01–4.67	$ 0.05

Common Stock Option Grants

	Number of Shares	Exercise Price	Weighted Average Exercise Price
Outstanding, December 31, 2000	17,837,422	$ 0.01–22.25	$ 9.16
Granted (As Restated)	6,291,093	2.60–29.00	12.95
Canceled (As Restated)	(2,009,805)	0.07–22.25	15.33
Exercised (As Restated)	(1,703,650)	0.07–22.25	2.36
Outstanding, December 31, 2001 (As Restated)	20,415,060	0.01–29.00	15.98
Granted (As Restated)	5,958,300	0.25–3.91	2.79
Canceled(1) (As Restated)	(13,484,486)	0.01–22.25	11.85
Exercised (As Restated)	(475,901)	0.07–3.33	0.34
Outstanding, December 31, 2002 (As Restated)	12,412,973	0.01–29.00	5.42
Granted	20,247,276	1.18–7.65	4.35
Canceled	(2,329,386)	0.67–22.25	8.55
Exercised	(2,194,369)	0.07–4.67	2.71
Outstanding, December 31, 2003	28,136,494	$ 0.01–29.00	$ 4.60
Exercisable, December 31, 2003	9,780,521	$ 0.01–29.00	$ 4.68
Exercisable, December 31, 2002 (As Restated)	6,079,842	$ 0.01–29.00	$ 5.46
Exercisable, December 31, 2001 (As Restated)	5,261,391	$ 0.01–22.25	$ 9.12

(1) Of the 13,484,486 options canceled in 2002, 8,973,160 were in connection with the Exchange Offer. Employees received an option to purchase one share of common stock for each option to purchase one share of common stock that was canceled. Sonus issued new options in exchange for such tendered options on May 27, 2003.

The weighted average fair value of each option granted under the Plan for 2003, 2002 and 2001 is $3.76, $2.58 and $12.22 per share.

The following table summarizes information relating to currently outstanding and exercisable options as of December 31, 2003:

	Outstanding			Exercisable	
Exercise Price	Number of Shares	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$0.01	22,687	4.29	$ 0.01	22,687	$ 0.01
0.07	501,373	5.21	0.07	457,436	0.07
0.16–0.22	219,187	5.90	0.19	129,062	0.20
0.25	667,615	8.81	0.25	123,285	0.25
0.67	394,175	6.05	0.67	377,562	0.67
1.18	37,500	9.10	1.18	10,000	1.18
1.58–2.13	103,400	9.00	1.96	28,400	1.87
2.51–3.33	3,980,982	5.97	3.16	3,512,169	3.17
3.91–5.76	19,833,025	8.03	4.31	3,803,257	4.17
6.60–7.67	523,000	9.40	7.31	79,413	7.51
13.88–19.00	1,790,750	7.26	13.98	1,192,576	13.97
22.25–29.00	62,800	7.16	25.47	44,674	25.18
	28,136,494	7.64	$ 4.60	9,780,521	$ 4.68

(c) 2000 Employee Stock Purchase Plan

On January 1 of each year, the aggregate number of shares of common stock available for purchase under the ESPP shall increase by the lesser of (i) 2% of the outstanding shares on December 31 of the preceding year or (ii) an amount determined by the Board of Directors. As of December 31, 2003, 15,444,657 shares were authorized and 12,138,327 shares were available under the ESPP for future issuance.

(d) 2000 Retention Plan

In January 2001 in conjunction with the acquisition of TTI, Sonus established the 2000 Retention Plan (the Retention Plan) and issued contingent awards of 3,000,000 shares of common stock to certain employees of TTI who became employees of Sonus. Pursuant to the Retention Plan, these awards were scheduled to vest in equal installments on each of October 31, 2002, November 30, 2002, January 31, 2003 and February 28, 2003, if (i) the recipients did not voluntarily terminate employment with TTI or Sonus prior to such vesting dates and (ii) the business expansion and product development escrow release conditions were satisfied in whole or in part. Generally, any awards forfeited by employees who have terminated employment with TTI, other than a termination by Sonus or TTI without cause, prior to the date on which they would otherwise vest, were reallocated to remaining TTI employees, awarded to replacement hires or returned to Sonus as provided by the terms of the Retention Plan. All of the Retention Plan shares were made available for distribution as of December 31, 2002.

(e) 1998 Equity Incentive Plan

In January 2001 in connection with the completion of the TTI acquisition, Sonus assumed TTI's 1998 Equity Incentive Plan and all grants of options under this plan. Each outstanding option to purchase shares of TTI Class B common stock granted under the 1998 Equity Incentive Plan

immediately prior to the effective time of the acquisition was converted into an option to purchase Sonus common stock based on the merger consideration, with the exercise price of the options being proportionately adjusted.

In continuation of a 1997 agreement entered into by the TTI founders and other TTI shareholders, the founders agreed, in exchange for the option exercise proceeds, to transfer to Sonus a number of shares of Sonus' common stock received by them in the acquisition equal to the number of shares of Sonus' common stock issued upon exercise by former TTI employees of the stock options granted under the TTI 1998 Equity Incentive Plan. As a result of this agreement, the aggregate number of outstanding shares of Sonus' common stock that will be issued upon exercise of these stock options will not increase.

(f) Stock–based Compensation

Stock based compensation expenses include the amortization of deferred employee compensation and other equity related expenses for non–employees.

In connection with certain employee stock option grants and the issuance of employee restricted common stock during the years ended December 31, 2000 and 1999, Sonus recorded deferred stock based compensation of $39,433,000 and $20,859,000. This represents the aggregate difference between the exercise price or purchase price and the fair value of the common stock on the date of grant or sale for accounting purposes. The deferred compensation is recognized as an expense over the vesting period of the underlying stock options and restricted common stock based on the accelerated method prescribed by FIN 28.

In connection with the TTI acquisition, Sonus recorded deferred stock based compensation of $22,600,000 for the year ended December 31, 2001, related to the intrinsic value of unvested TTI stock options assumed by Sonus. This deferred compensation is recognized as an expense over the remaining vesting period of the underlying stock options of up to four years. Additionally, Sonus recorded $55,438,000 of deferred stock based compensation on 3,000,000 shares awarded to TTI employees under the Retention Plan, based on the fair value of the Sonus common stock on the closing date of the acquisition. This deferred compensation has been fully expensed as of December 31, 2002 (See Note 14 (d)).

Sonus has valued the stock options and the issuances of restricted common stock to non–employees based upon the fair market value of the services rendered where Sonus believes the value of these services is more readily determinable than the value of the options or restricted stock.

Sonus recorded stock based compensation of $3,418,000, $16,871,000 and $74,132,000 for the years ended December 31, 2003, 2002 and 2001. Stock based compensation expense for the years ended December 31, 2003, 2002 and 2001 is net of $229,000, $4,926,000 and $3,179,000 related to the recapture of accelerated expense with respect to shares held by terminated employees. In 2002, stock–based compensation expense included $562,000 relating to the exchange of outstanding employee stock options for new stock options granted by Sonus. Sonus expects to record approximately $564,000 in employee stock based compensation expense in the year ending December 31, 2004.

(g) *Common Stock Reserved*

Common stock reserved for future issuance at December 31, 2003 consist of the following:

Stock incentive plan	63,187,637
Employee stock purchase plan	12,138,327
Conversion of convertible subordinated note	333,140
	75,659,104

(15) Employee Benefit Plan

In 1998, Sonus adopted a savings plan for its employees, which has been qualified under Section 401(a) of the Internal Revenue Code. Eligible employees are permitted to contribute to the 401(k) plan through payroll deductions within statutory and plan limits. Contributions from Sonus are made at the discretion of the Board of Directors. Sonus has made no contributions to the 401(k) plan to date.

(16) Supplemental Cash Flow Information

	Year ended December 31,		
	2003	2002	2001
		As Restated	As Restated
		(in thousands)	
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	$ 610	$ 676	$ 546
Acquisition of telecom technologies, inc.			
Tangible assets	$ —	$ —	$ 9,392
Liabilities assumed	—	—	(19,809)
Goodwill, purchased intangible assets and deferred compensation related to unvested stock options	—	—	543,184
Issuance of common stock in connection with the acquisition	—	—	(527,001)
Cash acquired	—	—	(90)
Acquisition, net of cash acquired	—	—	5,676
Acquisition of certain assets of Linguateq, Inc.,			
Goodwill and purchased intangible assets	—	—	5,225
Issuance of common stock in connection with the acquisition	—	—	(4,843)
Acquisition	—	—	382
Total acquisitions, net of cash acquired	$ —	$ —	$ 6,058

(17) Restatement

The accompanying consolidated financial data set forth below presents our consolidated statements of operations for the years ended December 31, 2002 and 2001 and our consolidated balance sheet as of December 31, 2002 showing the amounts previously reported, adjustments and as restated.

Consolidated Statement of Operations
(In thousands, except per share data)

	Year Ended December 31, 2002		
	As Reported	Adjustments	As Restated
Revenues:			
Product	$ 41,395	$ 27,177	$ 68,572
Service	21,163	4,182	25,345
Total revenues	62,558	31,359	93,917
Cost of revenues:			
Write–off inventory and purchase commitments	9,434	(3,304)	6,130
Product	19,535	14,038	33,573
Service	11,333	540	11,873
Total cost of revenues	40,302	11,274	51,576
Gross profit	22,256	20,085	42,341
Operating expenses:			
Research and development	45,308	(717)	44,591
Sales and marketing	27,863	(77)	27,786
General and administrative	6,141	(893)	5,248
Stock–based compensation	19,495	(2,624)	16,871
Amortization of goodwill and purchased intangible assets	1,514	2,715	4,229
Write–off of goodwill and purchased intangible assets	1,848	9,102	10,950
Restructuring charges (benefit), net	(10,125)	17,864	7,739
Total operating expenses	92,044	25,370	117,414
Loss from operations	(69,788)	(5,285)	(75,073)
Interest expense	(676)	—	(676)
Interest income	1,994	—	1,994
Loss before income taxes	(68,470)	(5,285)	(73,755)
Provision for income taxes	—	86	86
Net loss	$ (68,470)	$ (5,371)	$ (73,841)
Basic and diluted net loss per share	$ (0.36)	$ (0.03)	$ (0.39)
Shares used in computing net loss per share	189,889	1,119	191,008

Consolidated Statement of Operations
(In thousands, except per share data)

	Year Ended December 31, 2001		
	As Reported	Adjustments	As Restated
Revenues:			
Product	$ 152,648	$ (48,002)	$ 104,646
Service	20,551	3,603	24,154
Total revenues	173,199	(44,399)	128,800
Cost of revenues:			
Product	56,222	(12,505)	43,717
Service	19,476	(415)	19,061
Total cost of revenues	75,698	(12,920)	62,778
Gross profit	97,501	(31,479)	66,022
Operating expenses:			
Research and development	65,004	(1,108)	63,896
Sales and marketing	42,267	(1,391)	40,876
General and administrative	13,068	(241)	12,827
Stock–based compensation	75,500	(1,368)	74,132
Amortization of goodwill and purchased intangible assets	107,759	(37,208)	70,551
Write–off of goodwill and purchased intangible assets	374,735	17,652	392,387
Restructuring charges, net	25,807	(18,486)	7,321
In–process research and development	43,800	800	44,600
Total operating expenses	747,940	(41,350)	706,590
Loss from operations	(650,439)	9,871	(640,568)
Interest expense	(567)	(58)	(625)
Interest income	5,574	—	5,574
Net loss	$ (645,432)	$ 9,813	$ (635,619)
Basic and diluted net loss per share	$ (3.74)	$ 0.06	$ (3.68)
Shares used in computing net loss per share	172,382	523	172,905

Consolidated Balance Sheet
December 31, 2002
(In thousands)

	As Reported	Adjustments	As Restated
Assets			
Current assets:			
Cash and cash equivalents	$ 50,307	$ 6,971	$ 57,278
Marketable securities	60,860	—	60,860
Accounts receivable, net	2,956	1,666	4,622
Inventory, net	10,776	(327)	10,449
Other current assets	3,806	(290)	3,516
Total current assets	128,705	8,020	136,725
Property and equipment, net	11,174	372	11,546
Purchased intangible assets, net	1,174	3,636	4,810
Other assets	480	(44)	436
	$ 141,533	$ 11,984	$ 153,517
Liabilities and Stockholders' Equity			
Current liabilities:			
Accounts payable	$ 4,142	$ (517)	$ 3,625
Accrued expenses	33,379	(16,890)	16,489
Accrued restructuring expenses	3,143	(812)	2,331
Current portion of deferred revenue	29,235	22,493	51,728
Current portion of long term liabilities	1,606	—	1,606
Total current liabilities	71,505	4,274	75,779
Long-term deferred revenue, less current portion	—	8,024	8,024
Long-term liabilities, less current portion	3,293	—	3,293
Convertible subordinated note	10,000	—	10,000
Commitments and contingencies			
Stockholders' equity:			
Preferred stock	—	—	—
Common stock	207	—	207
Capital in excess of par value	858,126	(4,566)	853,560
Accumulated deficit	(797,868)	4,442	(793,426)
Deferred compensation	(3,469)	(190)	(3,659)
Treasury stock, at cost	(261)	—	(261)
Total stockholders' equity	56,735	(314)	56,421
	$ 141,533	$ 11,984	$ 153,517

(18) Quarterly Results of Operations (unaudited)

The following table presents Sonus' quarterly operating results for the years ended December 31, 2003 and 2002. The information for each of these quarters is unaudited and has been prepared on the same basis as the audited consolidated financial statements. In the opinion of management, all necessary adjustments, consisting only of normal recurring adjustments, have been included to present fairly the unaudited consolidated quarterly results when read in conjunction with our audited consolidated financial statements and related notes. The quarterly net income in the second quarter of 2002 and fourth quarter of 2003 was primarily the result of recognizing previously deferred revenue of $27,500,000 and $10,900,000, respectively, from arrangements with a single customer. The previously deferred revenue was recognized as revenue upon the delivery of certain specified software releases in the second quarter of 2002 and fourth quarter of 2003. See Note 2 to Sonus' consolidated financial statements. These operating results are not necessarily indicative of the results of any future period.

	Three months ended							
	Dec. 31, 2003	Sept 30, 2003	June 30, 2003	Mar. 31, 2003	Dec. 31, 2002	Sept. 30, 2002	June 30, 2002	Mar. 31, 2002
		As Restated	As Restated	As Restated	As Restated	As Restated	As Restated	As Restated
	(in thousands, except per share data)							
	(unaudited)							
Consolidated Statement of Operations Data:								
Revenues	$ 46,384	$ 22,251	$ 15,366	$ 9,209	$ 12,476	$ 9,158	$ 51,775	$ 20,508
Cost of revenues	17,295	9,256	7,265	4,093	7,209	7,919	19,660	16,788
Gross profit	29,089	12,995	8,101	5,116	5,267	1,239	32,115	3,720
Operating expenses:								
Research and development	7,945	8,036	8,504	7,705	9,277	9,218	11,165	14,931
Sales and marketing	6,990	7,732	4,476	3,971	6,444	4,466	9,417	7,459
General and administrative	6,338	842	1,456	1,839	(1,463)	2,932	1,192	2,587
Stock based compensation	802	1,047	645	924	2,926	2,228	4,918	6,799
Amortization of goodwill and purchased intangible assets	602	602	602	602	676	1,173	1,190	1,190
Write off of goodwill and purchased intangible assets	—	—	—	—	—	10,950	—	—
Restructuring charges	—	—	—	—	967	1,007	1,013	4,752
Total operating expenses	22,677	18,259	15,683	15,041	18,827	31,974	28,895	37,718
Income (loss) from operations	6,412	(5,264)	(7,582)	(9,925)	(13,560)	(30,735)	3,220	(33,998)
Interest income, net	693	268	313	251	186	303	376	453
Income (loss) before income taxes	7,105	(4,996)	(7,269)	(9,674)	(13,374)	(30,432)	3,596	(33,545)
Provision for income taxes	204	33	32	33	21	22	21	22
Net income (loss)	$ 6,901	$ (5,029)	$ (7,301)	$ (9,707)	$ (13,395)	$ (30,454)	$ 3,575	$ (33,567)
Net income (loss) per share:								
Basic	$ 0.03	$ (0.02)	$ (0.03)	$ (0.05)	$ (0.07)	$ (0.16)	$ 0.02	$ (0.18)
Diluted	$ 0.03	$ (0.02)	$ (0.03)	$ (0.05)	$ (0.07)	$ (0.16)	$ 0.02	$ (0.18)
Shares used in computing net income (loss) per share (Note 1 (q)):								
Basic	242,983	224,356	215,970	198,703	196,107	193,155	190,540	187,173
Diluted	258,607	224,356	215,970	198,703	196,107	193,155	200,509	187,173

The accompanying consolidated financial data set forth below presents our consolidated statement of operations for the first three quarters of 2003 and for each of the quarters in 2002, showing the amounts previously reported, adjustments and as restated.

	Three months ended								
	March 31, 2003			June 30, 2003			September 30, 2003		
	As Reported	Adjustments	As Restated	As Reported	Adjustments	As Restated	As Reported	Adjustments	As Restated
	(in thousands, except per share data) (unaudited)								
Revenues	$ 16,019	$ (6,810)	$ 9,209	$ 21,356	$ (5,990)	$ 15,366	$ 28,644	$ (6,393)	$ 22,251
Cost of revenues	5,430	(1,337)	4,093	8,793	(1,528)	7,265	11,047	(1,791)	9,256
Gross profit	10,589	(5,473)	5,116	12,563	(4,462)	8,101	17,597	(4,602)	12,995
Operating expenses:									
Research and development	7,702	3	7,705	8,245	259	8,504	7,984	52	8,036
Sales and marketing	5,274	(1,303)	3,971	5,643	(1,167)	4,476	6,536	1,196	7,732
General and administrative	1,080	759	1,839	1,188	268	1,456	999	(157)	842
Stock–based compensation	894	30	924	739	(94)	645	866	181	1,047
Amortization of goodwill and purchased intangible assets	271	331	602	271	331	602	271	331	602
Total operating expenses	15,221	(180)	15,041	16,086	(403)	15,683	16,656	1,603	18,259
Income (loss) from operations	(4,632)	(5,293)	(9,925)	(3,523)	(4,059)	(7,582)	941	(6,205)	(5,264)
Interest income (expense), net	251	—	251	313	—	313	268	—	268
Income (loss) before income taxes	(4,381)	(5,293)	(9,674)	(3,210)	(4,059)	(7,269)	1,209	(6,205)	(4,996)
Provision for income taxes	—	33	33	—	32	32	—	33	33
Net income (loss)	$ (4,381)	$ (5,326)	$ (9,707)	$ (3,210)	$ (4,091)	$ (7,301)	$ 1,209	$ (6,238)	$ (5,029)
Basic net income (loss) per share	$ (0.02)	$ (0.03)	$ (0.05)	$ (0.01)	$ (0.02)	$ (0.03)	$ 0.01	$ (0.03)	$ (0.02)
Diluted net income (loss) per share	$ (0.02)	$ (0.03)	$ (0.05)	$ (0.01)	$ (0.02)	$ (0.03)	$ 0.01	$ (0.03)	$ (0.02)
Shares used in computing basic net income (loss) per share	198,703		198,703	215,970		215,970	224,356		224,356
Shares used in computing diluted net loss per share	198,703		198,703	215,970		215,970	239,446	(15,090)	224,356